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DEVELOPMENT OF NAFTA UNDER THE NAFTA-EU CONTRACT

Abstract: this article discusses the prospects of such an integration association as NAFTA, as well as the possibility of preserving the current composition of the integration association. Analyzed the possibility of expanding to TAFTA when merged with the European Union, and how the US President Donald Trump will affect the course of events.

Key words: NAFTA, US, EU, agreement, politics, prospects, Trump, impact.

One of the main issues of this topic concerns the prospects of such an integration association as NAFTA, as well as the possibility of preserving this integration association in the same set-up. The prospects of expanding to TAFTA when merged with the European Union are also interesting, as well as the fact how the newly elected 45th US President Donald Trump will influence the course of events.

The negotiations on the adoption of the transatlantic agreement have been going on for over 4 years, since the beginning of 2013. The adherents of the agreement emphasize its economic profitability for both the EU and the United States.

According to an economic study conducted by the Centre for European Economic Research in March 2013, such a comprehensive agreement will lead to an annual GDP growth of 68-119 billion Euros in Europe by 2027, and to an annual GDP growth of 50-95 billion Euros in the United States for the same period. The report also notes that a limited tariff-only agreement will give the EU an annual GDP growth of 24 billion Euros by 2027, and an annual growth of 9 billion Euros in the United States. If we divide equally among the people affected by the agreement, the most optimistic forecast of GDP growth will result in “an additional annual disposable income of a family of four" in the amount of "545 Euros in the EU" and "655 Euros in the United States", respectively [5].

However, these figures have a crucial geopolitical aspect as well: if the countries agree upon the joint rules of playing on the market, the Europeans and the Americans will be able to confront China, one of the main economies of the world, with an accomplished fact. The rules of the World Trade Organization can lose their values greatly: non-Western countries will have to change their internal norms in order to adapt to a new standard.

Our country is on the list of those who will benefit from the non-exitance of the agreement since Russia has only recently become a member of the World Trade Organization, and Moscow does not want the results of this membership to be diminished by the appearance of the TAFTA.

In addition, there is nothing to indicate that the rules common for the Western world, which control the environmental safety of goods, are beneficial for our country because by far not all of our production facilities, goods and vehicles meet the tough requirements of European environmental security [6].

However, with all the benefits of such an agreement for the US and Europe, for a number of reasons it is unlikely to be established. The negotiations between the United States and the European Union (known as the TAFTA or TTIP) on the establishment of a free trade zone were on the verge of failure after on May 2, 2016 classified documents being considered by the parties were made public by Greenpeace Netherlands. The leak of the information allows concluding that the United States insist that the Europeans should remove all barriers though they themselves are not ready to completely open their markets to European enterprises. "The rights in the TAFTA issue should be equal, or the agreement will not take place", said Jean-Christophe Cambadélis, Secretary General of the Socialist Party, which has a majority in the French National Assembly. Opinion polls confirm that the Europeans are on his side: the draft treaty is supported by no more than 20 per cent of EU residents. Thus, there is every indication that the agreement will not be concluded.

It is worth mentioning that at this stage, the United States are affected by the claims of Europeans most of all. The EU legislation is much tougher in terms of environmental and health standards than the American one. This means that the parties have to work out common standards by either toughening or, on the contrary, liberalizing them. The European opponents of the treaty suspect the European Commission of the willingness to make concessions to the Americans. But it is well known that the movement of farming in Europe is very strong, as well as the «green» movement, which with all its might forces the society to oppose this agreement, and does it for good reason because if Europe makes concessions in relaxing sanitary standards, then the European market will be flooded by the American goods, which will be much inferior to European products in terms of phytosanitary standards, but will be much cheaper because of the conditions of their creation.

European farmers, and hence, politicians enjoying their support (in France these are those of the extreme right parties) are against concessions in the certification of agricultural products.

For European farmers the liberalization of trade relations with the US promises only losses, which are especially big against the backdrop of counter-sanctions imposed by Russia. The incompliance with environmental standards provides a convenient reason to win the support of the Greens – an influential political force.

The joint efforts of the extreme right, and the extreme left politicians, the latter being traditionally hostile to the US, and the environmentalists are starting to bear fruit. According to the opinion polls, in 2014 the conclusion of the TAFTA agreement was supported by about 50 per cent of Europeans, whereas by May 2016 their share fell to 15 percent.

Even in Germany, the «economic engine» of the EU, the society expresses dissatisfaction with this agreement. Time works against the TAFTA supporters. Nothing indicates that the treaty could have been signed at the end of 2016, and since January 2017 the United States may reconsider its position on the agreement. The newly elected President Donald Trump is also against the treaty in its present form. After the expiration of the presidency of Barack Obama, the EU and the US may return to the negotiations on an agreement but in a completely different, much less ambitious, version. The East is likely to take advantage of the loss of pace in the West. The Americans, who in case of TAFTA's failure will seek privileged trading partners outside Europe, may also reorient to other markets. Such development is more likely to be beneficial for Russian-European relations but the EU elite will try their best to prevent this prospect [4].

Thus, we can conclude that this scenario is unlikely for the development of NAFTA as in Europe the conservative sentiments against such an agreement are growing stronger. The same is true for the United States, where Donald Trump has already stated that it is necessary to think more about America and believes that this agreement goes against the plans of the United States.

However, what kind of further developments awaits us in this case? A very illustrative case happened in the US. On December 4, 2016 Donald Trump went on a “thank you” tour to thank his voters; one of the first places he visited was Indiana, the city of Indianapolis. The president arrived at the Carrier plant, which produces air conditioners. The management of this plant announced that production is being closed and transferred to Mexico, as this was the best way to remain competitive and protect business. About 1,000 people were to lose their jobs after this move but Donald Trump negotiated with the company's management right in the shop, and they changed their mind. After that, the US president elect said: "Companies are not going to leave the United States anymore without consequences. It's not going to happen. I'm telling you right now. We're losing so much". This non-systemic decision caused a wave of criticism, and this is understandable since the company's management agreed not to transfer its production to Mexico simply because they were offered tax benefits and if other companies start doing so as well it will harm the economy [2].

It is incredibly difficult to predict anything at the moment since the US policy is largely determined by the President, and as we know Donald Trump has no desire to cooperate with China, and will try to do everything to contain it. On the other hand, Mexico is the very “containment” for the United States, to which the attitude of the president elect is far from satisfactory. We still have to find answers to the questions on how the US behaves in the current realities, how the country is going to return production from China back to the North American continent, how they plan to return production from Mexico back to the States.

During 2017 the US repeatedly threatened to withdraw from NAFTA, which obviously aimed to demonstrate the seriousness of the American side intentions towards the negotiation process to the partners in agreement. Trump's plans were to fight "unfair trade practices" and he proposed to develop fundamentally new bilateral agreements with the trading partners, including the current members of the North American agreement. Mexico tried to flexibly approach the issue of the further fate of NAFTA. The main thing is not to allow the deterioration of the trade terms, the introduction of taxes, and the increase of customs duties. In this case a search was made for possible retaliatory measures: for example, a reduction in the import of products from the United States and their replacement with the deliveries from other countries. Despite the fact that Donald Trump has not yet abandoned his intention to withdraw from NAFTA in the event that the agreement is not renegotiated on favorable terms for the US, it is unlikely that Mexico and Canada will continue to take such threats seriously. As practice shows, Trump has already changed his point of view more than once including that on the issues that had been crucial in the presidential campaign. In general, by the end of 2017 the relations between the United States and the European Union were in a state of the same uncertainty as they had been in January. The difference was that at the beginning of the year the Europeans tried to guess how far the new US leadership would go in their denial of the principles of transatlantic solidarity and common values of the West. Today Europe is wondering what price Washington wants to get for preserving its transatlantic obligations [3].

The situation for the forecast is as complex as it had been during the presidential elections. However, it is worth mentioning that not all presidential promises will be fulfilled; many of them have already been heavily cut. The same might happen with TNCs and integration associations including NAFTA [1].

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РАЗВИТИЕ НАФТА В РАМКАХ ДОГОВОРА НАФТА – ЕС

Аннотация: в данной статье рассматриваются перспективы такого интеграционного объединения как НАФТА, а также возможность сохранения текущего состава интеграционного объединения. Анализируются возможности расширения до TAFTA при объединении с Евросоюзом, и то, каким образом повлияет на ход событий президент США Дональд Трамп.

Ключевые слова: НАФТА, США, ЕС, соглашение, политика, перспективы, Трамп, влияние.

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